

AR25

GAMBLE-SKOGMO, INC. ANNUAL REPORT 1972



GAMBLES OPERATIONS

FOOD & DRUG

Red Owl

Snyders

MASS
MERCHANDISING

Tempo

Buckeye Mart

DEPARTMENT
& SPECIALTY

Gamble Dept.
Stores

Gambles
House of Fabrics

Gamble Stores

J. M. McDonald

Mode O'Day

Rasco

Skogmo Stores

CATALOG SALES

Aldens

CANADIAN
MERCHANDISING

Macleods

INSURANCE,
FINANCIAL
SERVICES

Stedmans

Banking

Insurance

Leasing

Real Estate
Development

TRANSFER AGENTS

First National City Bank
111 Wall Street
New York, New York 10015
The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

REGISTRARS

The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, New York 10015
Continental Illinois National Bank
and Trust Company
231 South La Salle Street
Chicago, Illinois 60690

Financial Highlights

(All dollars in thousands except amounts per share)

	1972	1971	Percent increase over last year
Net sales and operating revenues	\$1,348,826	\$1,315,092	2.6%
Earnings before income taxes, minority interest and extraordinary item	42,631	36,199	17.7
Earnings before extraordinary item	22,371	19,127	17.0
Extraordinary item	5,616	—	—
Net earnings	27,987	19,127	46.3
Earnings per common share			
Primary			
Earnings before extraordinary item	4.09	3.56	14.9
Extraordinary item	1.15	—	—
Net earnings	5.24	3.56	47.2
Fully diluted			
Earnings before extraordinary item	3.53	3.06	15.4
Extraordinary item	.89	—	—
Net earnings	4.42	3.06	44.4
Dividends per share of common stock	1.30	1.30	—

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ANNUAL MEETING

The annual meeting of stockholders will be held at the home office of the company on Friday, June 22, 1973. A proxy statement, including a request for proxies, will be mailed to stockholders approximately three weeks prior to the meeting.

To Our Shareholders:

Fiscal 1972 was your company's most successful year with both sales and net earnings at all-time highs.

After-tax net earnings were up 46 percent to \$27,987,000, including an extraordinary profit of \$5,616,000 resulting from the sale of the company's interest in Claude Neon Advertising Limited, a Canadian outdoor advertising company. Without this extraordinary item, earnings amounted to \$22,371,000.

A number of additional factors contributed to this strong performance record:

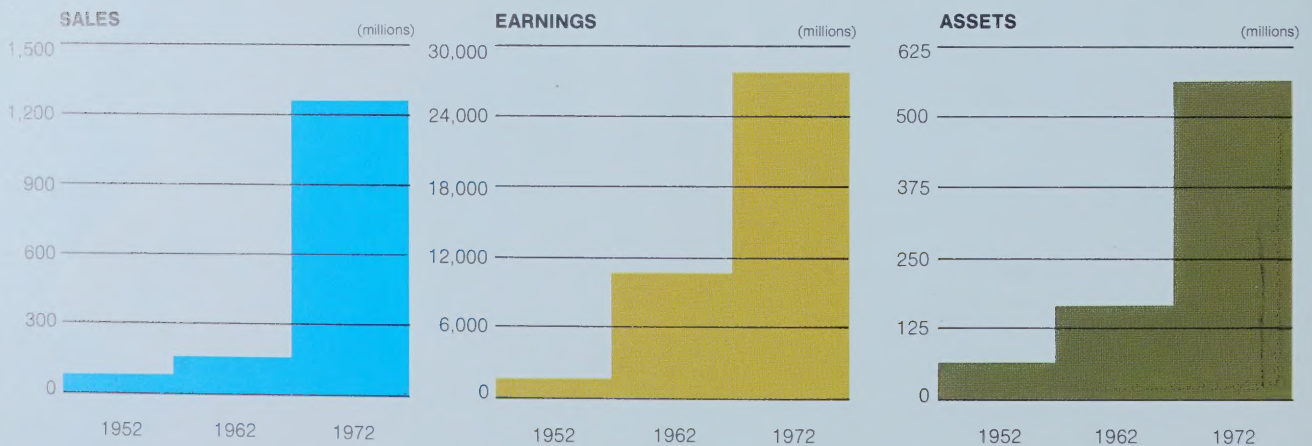
- Strengthening of company merchandising management
- Significant operational improvements
- Renewed emphasis on effective merchandising techniques
- A positive response to the concerns of consumerism, and
- A strengthening of the economy in the cities and towns in Gambles' basic marketing areas.

This performance is reflected in the graphs below which show the growth of sales, earnings and assets of the company during the past 20-year period.

Never before have the operating companies been as liquid. At year end, they owed nothing to short-term lenders and reported \$68 million in cash. This excellent cash position existed even after a tender offer resulting in the purchase of 854,416 shares of the company's common stock for cash.

As a major retail and wholesale merchandising operation with more than 3,500 company-owned and franchised stores in the United States and Canada, we are continuously seeking to improve profitability. Therefore, we continued the program of closing low-margin operations and converting some company-owned stores to a dealer relationship in order to free assets for more productive use.

The Gambles philosophy of supporting



entrepreneurial skills through franchising, a key to the company's growth, entered its 40th successful year in 1973. Eight franchised dealer stores are still being operated by individuals who opened them in 1933, and several others are now in their second and third generations of ownership by the same family.

Promotional efforts initiated during the last year are now beginning to show favorable results in all divisions and we are devoted to accelerating the sales and revenues which have recorded profit improvements for 14 consecutive quarters when compared to comparable prior periods.

Our present combination of retail and wholesale merchandising activities, together with our insurance and leasing services, provide a strong, exciting group of growth opportunities for your company. Equally important, the quality of human resources within our company, together with our improved profitability and financial strength, give us a solid base for future growth.

With the continued support of the men and women of Gambles, and our loyal stockholders and customers, we fully expect 1973 results to justify our confidence in the future of your company.

April 16, 1973



Bertin C. Gamble,
Chairman of the Board



Wayne E. Matschullat,
President

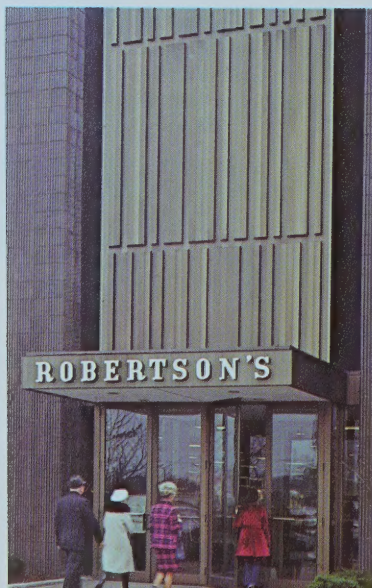
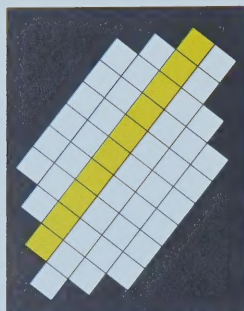


Bertin C. Gamble,
Chairman of the Board



The Office of President, announced in August 1972, consists of (left to right): Walter H. Davies, Jr., Vice Chairman and Treasurer; Louis E. Dolan, Vice Chairman and Secretary; and Wayne E. Matschullat, President.

Department & Specialty



Divisions and subsidiaries in this group reported improved sales in 1972 and development of a stronger base for growth in both sales and earnings.

The *Gamble Stores Division* made a major change in the direction of its long-range planning late in the year that is expected to have a significant beneficial effect on future developments.

Based on an extensive survey of consumer buying habits and trends, the division developed an entirely new store concept identified as a "Gambles Home Products Center." The move is a deliberate step away from the "general store" appearance that now characterizes most existing outlets and will enable the division to serve the growing category of do-it-yourself oriented consumers more effectively.

The Home Products Centers will feature redesigned interiors and exteriors, sparkling bright colors, exciting new packaging and graphics, and a "store within a store" concept allowing seven major product categories to be separately and effectively merchandised.

The basic lines, after the elimination of some categories previously carried but marginally profitable, will include a new mix of hardware and home improvement merchandise, automotive supplies, appliances, paint and wallcoverings, electronic equipment, housewares, and sporting goods. Key to the changing product combination is a shift away from some private label to more brand name merchandise in recognition of the changing demands of the 27 million consumers in the 26 to 34 age group.

The first prototype store was opened in suburban St. Paul, Minnesota, in the fall of 1972. Results to date are encouraging, and the division plans to open 40 new franchised Home Products Centers during the current year. The new stores will be in towns with trading areas of up to 40,000 population, compared with less than 20,000 for existing stores.

Further expansion plans in 1973 call for the remodeling and upgrading of approximately 120 franchised outlets.

Customer service was improved during the year with installation of a fully-automated central parts depot, providing more rapid accessibility to a greater number of products for more prompt delivery to stores.

Gamble Department Stores, most of which operate under the names they had when acquired by Gambles, carry high quality brand name merchandise. This

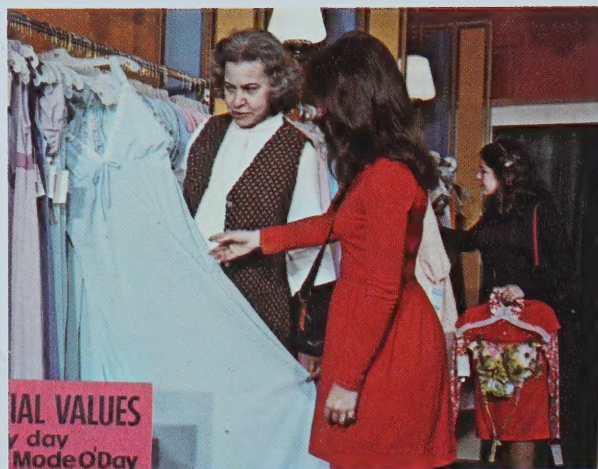
division established a prototype operation during the year with the opening of a two-level, 100,000 square foot store in Elkhart, Indiana, which operates as a branch of the Robertson's Department Store in South Bend, Indiana. This store is viewed as a concept for future expansion—branches of high performance stores in other cities within selected trading areas, taking advantage of centralized marketing and promotional economies.

The *J. M. McDonald Co. Division* reported an excellent year, with both volume and earnings from its softlines fashion and specialty apparel department stores setting new records. The fourth quarter was particularly strong, and the year was the best in the division's history.

Several downtown stores were relocated in suburban shopping centers during the year to provide easier access for customers. Further relocations, plus the opening of a small number of additional new stores, are being considered for 1973. The division's heavy and successful emphasis on personal service to customers and well accepted, high quality brand name merchandise are expected to be major factors in continued growth during the coming year.

One of the more profitable activities of the *Rasco Stores Division*, a diversified specialty chain, is Toy World, a group of toy departments and free-standing stores in metropolitan shopping centers in California. Two new stores and 15 Toy World departments in Rasco stores were opened in 1972, and further expansion in both areas is scheduled for 1973.

Rasco's franchised home improvement and lawn and garden centers continue to do well. These are both



Fourteen tractor-trailers transported merchandise from the Denver distribution center to Las Vegas, Nevada, for the Gamble dealers January market.



free standing outlets and units within Rasco stores.

Rasco's franchised fabrics operations expanded during the year through the opening of five fabrics departments in Rasco stores.

The *Mode O'Day Division* opened 71 new franchised women's apparel shops in 1972, most of them to replace and upgrade existing operations. Another 38 dealer outlets are scheduled to open in 1973, principally in downtown locations of cities under 15,000 population or in larger communities where there are no major shopping centers.

Mode O'Day's merchandising format is now in the process of changing from predominantly dresses to quality sportswear at popular prices. This change in merchandising strategy, expansion of the line in many shops to include half sizes, the increasing trend to women's specialty shops featuring personalized service, and more popular prices are expected to make Mode O'Day more competitive in shopping center locations.

Supervisors conduct in-store merchandising training at the new Gambles Home Products Center in St. Paul.



Company aircraft transported the new Skogmo March and August softlines markets to eight regional locations.



Unlike other Gambles operations, which rely entirely on outside resources, Mode O'Day manufactures approximately 70 percent of the dresses, sportswear and lingerie it sells.

The *Skogmo Stores Division* went through a major transitional period during the past year. There were a number of operational changes designed to improve opportunities for growth, tighter administrative controls, some reduction in personnel, a narrowing of merchandise lines to permit more emphasis on basic items, a move to more brand name lines, and increased merchandising support to dealers.

To date, more than half of its franchised outlets have given Skogmo open authorization to select and ship new merchandise as it becomes available, a program that enables these stores to be more competitive in their markets.

Nine new franchised outlets were opened in 1972 and 14 additional stores are scheduled to open this year.

A March market (back to school merchandise) and an August market (holiday merchandise) were added in 1972 to the conventional Fall and Spring-Summer showings. These markets were unique in that, for the first time, the merchandise was transported by company aircraft to eight centrally located regional points. The four shows provide a continuous flow of fashion merchandise to Skogmo dealers in 11 states.

The *House of Fabrics Division* met increasingly tough competition because of the proliferation of stores catering to the growing trend to home sewing. However, with new management, a tight cost reduction

program and the opening of a small number of new outlets in carefully selected locations, a better year is anticipated in 1973.

Gambles Import Company, which buys for several Gambles divisions as well as offering a buying service to non-affiliated companies, may extend its buying activities into South America in 1973. Present buying offices in New York and Los Angeles work with sources in the far east, Mexico, Spain, the Netherlands and Italy.

Gambles Datamation Center, headquartered in Burbank, California, expanded its facilities during 1972 and is now providing data processing services to a number of non-affiliated clients in addition to serving Gambles operations on the west coast.

Number of Stores	As of 1-29-72	Opened	Closed	As of 1-27-73
Gamble Department Stores	24	1	—	25
McDonald Department Stores	85	—	1	84
Gamble Dealers	1242	23	68	1197
Gamble Stores	67	—	5	62
House of Fabrics Dealers	27	4	3	28
House of Fabrics Stores	60	3	2	61
Mode O'Day Dealers	661	71	81	651
Mode O'Day Stores	53	25	43	35
Rasco Dealers	165	4	5	164
Skogmo Dealers	147	9	17	139
Totals	2531	140	225	2446



Canadian Merchandising

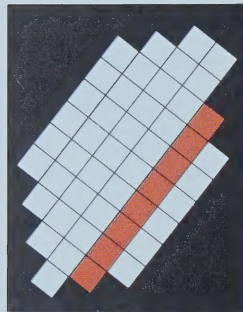
Canadian merchandising operations showed substantial gains in 1972 and established a foundation for increasingly profitable growth in the future.

A five-year program to reduce costs and strengthen long-term earnings potential through reorganization of operations and elimination or consolidation of duplicate facilities was successfully completed by year-end, two years ahead of schedule.

Canadian operations are now concentrated in two divisions: *Macleods*, with 268 company-owned and franchised general merchandise stores serving principally the western provinces, and *Stedmans*, with 311 company-owned and franchised variety stores in the eastern provinces.

The most significant immediate benefit of the reorganization and consolidation was a substantial reduction in over-all Canadian operating and administrative costs, a direct result of the profitable disposition during the year of all Marshall Wells distribution facilities. This was the final phase in a program that began with the disposition of company-owned Marshall Wells stores the previous year.

Twenty-five of the Marshall Wells dealer stores were converted to Macleods franchised operations during the year, all in communities where there previously were no Macleods stores. Macleods operations



were further expanded with the addition of nearly 100,000 square feet of new selling space following the opening of four new company-owned stores and enlargement of several others.

These moves, in combination with an intensified merchandising program, boosted average sales volume per store while overhead and distribution costs were reduced. The resulting decline in the ratio of operating expenses to sales made possible an improved return on investment.

Sales of the Macleods and Stedmans Divisions rose approximately 8 percent during the year although total volume in Canada declined slightly with the winding down of Marshall Wells. With an improving economy as a base, both store groups anticipate further growth in 1973 through more intensive efforts to improve penetration in existing markets, principally small and medium size communities, and the first phase of a planned move into more heavily populated urban centers.

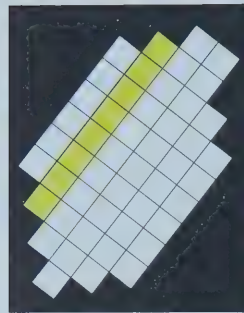
The expansion program is well underway. Four new company-owned Macleods stores will be opened in British Columbia before the end of 1973. Other programs call for the relocation and major expansion of four additional company-owned Macleods stores in British Columbia and Alberta, the remodeling and expansion of

23 Stedmans and Macleods stores, and the opening of 20 new franchised outlets: 12 Stedmans and 8 Macleods.

Gambles Canada Acceptance Limited, which finances Canadian consumer receivables, lowered its costs of borrowing during the year through the issuance of its first commercial paper. The company reduced its interest expense by more than 1 percentage point by substituting short-term notes for bank loans, and at year-end had \$21 million in such notes outstanding.

Number of Stores	As of			As of	
	1-29-72	Opened	Closed	1-27-73	
Macleod Dealers	166	28	9	185	
Macleod Stores	81	4	2	83	
Marshall Wells Dealers	255	—	255	—	
Stedman Dealers	223	21	14	230	
Stedman Stores	88	1	8	81	
Totals	813	54	288	579	





Mass Merchandising

Operating results of the mass merchandising stores, *Buckeye Marts* and *Tempo*, showed marked improvement in 1972.

Profitability increased with a strengthening in the economy and a combination of managed factors:

- a better merchandising assortment with emphasis on customer demand;
- a revised promotional approach, including a more direct appeal to the under-35 age group;
- effective implementation of a regional operating concept, providing for development of merchandising strategies tailored to local market characteristics and competitive requirements; and
- more efficient operations, including tighter cost controls.

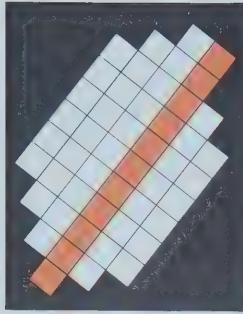
During 1972, remodeling programs were completed in six stores, with 11 more scheduled to be updated in 1973.

Sales in both Tempo and Buckeye stores picked up momentum in the third quarter and accelerated to produce a record fourth quarter. This trend, with a corresponding improvement in profitability, is expected to continue throughout 1973.

Number of Stores	As of	Opened	Closed	As of
	1-29-72			1-27-73
Buckeye Marts	19	—	—	19
Tempo Stores	50	—	—	50
Totals	69	—	—	69



Catalog Sales



Aldens, Inc., one of the nation's largest catalog sales companies, had a very successful year.

Earnings improved substantially, on a good increase in volume, to the highest level in history. The strengthening of profit margins followed a reduction in credit losses, a successful program to upgrade the general income level of mail-order customers (with a subsequent increase in the size of orders) and an effective merchandise combination built on the objective of satisfying customer "wants" rather than "needs."

The "wants"—satisfying the discretionary spending interests of a more affluent population—generally include higher quality, higher priced merchandise. Sales results in 1972 reflect the success of this new approach. Aldens' best selling items included electronic calculators, 10-speed and other lightweight bicycles, stereo equipment, digital clock radios with a weather band, electronic ovens and a wide array of men's fashions.

Sales of electronic ovens rose significantly during the year when Aldens was able to offer a high quality model for less than \$200. Calculators sold at prices varying from \$50 to \$250, with the most popular models priced between \$70 and \$100.

The gradual shift to higher quality merchandise, a program that has been in progress for several years, is part of the company's ongoing effort to give maximum customer satisfaction.

Long-standing product testing and evaluation programs were intensified during the year, with particular emphasis on garment cleaning, washing and shrinkage factors, and accuracy of labeling. Aldens works closely with appropriate federal agencies in the evaluation of toys and other products that may be dangerous, if improperly used.

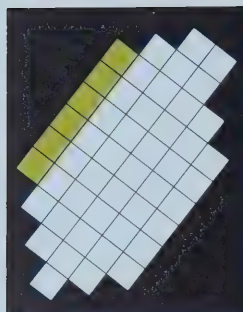
America Direct, Inc., a new Aldens direct mail operation, was established in 1972 to develop and execute programs for major credit card companies. Test programs, which include selection of merchandise as well as preparation and mailing of direct mail materials, are now under way with several large customers.

Aldens is also exploring other methods by which its direct marketing facilities and experience can be used to develop greater sales volume and income. It mailed more than 60 million catalogs in 1972 offering millions of consumers in all 50 states and U.S. possessions a choice of more than 40,000 different items.

Number of Sales Offices	As of			As of
	1-29-72	Opened	Closed	1-27-73
Aldens	1	—	—	1



Food & Drug



Operations of *Red Owl Stores, Inc.*, the company's retail and wholesale food store subsidiary, and of *Snyder's Drug Stores, Inc.*, improved during the year.

Programs included an upgrading of stores, elimination of low-profit operations through closings or conversions into franchised outlets, and tighter cost controls.

The improvement in Red Owl operations in the Minneapolis-St. Paul metropolitan area is directly traceable to Red Owl's Price Rebel program and extended store hours. The Price Rebel program, initially a Twin Cities test, involves broadly based price reductions and extensive merchandising efforts at the point of sale. Extended store hours, either 17 or 24 hours, are designed to accommodate customer shopping patterns at different locations.

Sales in Red Owl's 47 company-owned outlets in the Minneapolis-St. Paul market area enjoyed a substantial increase. The food chain retained its number one rating by Minneapolis consumers and also moved from second to first place in share of market in St. Paul. These gains were realized in spite of an increase of more than 300,000 square feet of competitive space in the Twin Cities during the year.

The Price Rebel program will be expanded in 1973 into company-owned stores in the Duluth-Superior and Fargo-Moorhead areas, both major trading centers in the upper midwest. It may also be offered to franchised



stores to support their competitive market positions.

Two other programs will receive attention during 1973: development of "super" stores with a broad mix of food, drugs and general merchandise, and a concurrent conversion of smaller company-owned stores to franchised outlets.

Four new super stores will become operational during 1973 as the result of additions to three existing Twin Cities stores and one in Jamestown, North Dakota.

The move toward super stores, 30,000 to 50,000 square feet and between a conventional food store and a Red Owl Family Center in size, is in response to increasing public interest in the convenience of one-stop shopping for diversified lines of merchandise. This trend has made it increasingly uneconomic for company-owned stores in larger communities to continue only as retailers of food if Red Owl is to pursue realistically its objective of a maximum return on invested capital.

Plans call for the elimination of 10 conventional company-owned stores in 1973 by closing or by conversion to franchised ownership. Six additional franchised outlets are scheduled to open.

Major attention will be devoted to expanding the operations of Red Owl Family Centers, where general merchandise, food and drugs are sold. The 15 Family Centers in operation in 1972 showed gains in both volume and earnings. Two conventional grocery outlets with adjacent Snyder drug stores were converted to Family Centers during the year.

A new merchandising program is aimed at increasing the percentage of meat sales to total store volume. It is designed to strengthen customer confidence in the quality of Red Owl meats and to educate shoppers in how to buy and prepare various meat cuts. This program will promote Red Owl's meat service center, a 41,000 square foot processing, packaging and distribution facility adjacent to Red Owl's headquarters in Hopkins, Minnesota.

Red Owl's Environmental Concerns Committee tackled a number of ecology problems. This involved close liaison with the State of Minnesota's Pollution Control Agency and the underwriting of a University of Minnesota study on the comparative polluting effects of plastic foam versus wood pulp containers.

During the three years the Committee has been in operation, Red Owl has purchased, where feasible, only recycled paper for cartons. Today, approximately

50 items, including its private label potato chips, cake mixes and gelatin desserts, are packaged in recycled paper.

Red Owl also expanded its continuing series of panel meetings with consumer groups throughout its marketing area. A dozen such sessions were held, with double that number scheduled for 1973.

Snyder's Drug Stores had eight franchised stores in operation by year-end. Plans call for doubling the number of franchised outlets in 1973 with new stores to be located in Minnesota and Wisconsin.

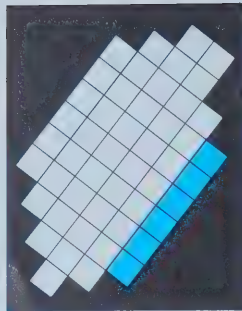
Four company-owned drug stores were closed and one new outlet, a super drugstore, with a broader range of merchandise, was opened.



Snyder's first female drug store manager checks an order form with the store's chief pharmacist.

Number of Stores	As of	Opened	Closed	As of
	1-29-72			1-27-73
Red Owl Dealers	264	13	15	262
Red Owl Stores	143	2	9	136
Snyder Dealers	8	8	—	16
Snyder Stores	40	1	4	37
Totals	455	24	28	451

Insurance, Financial Services



The insurance, leasing, outdoor advertising, banking and real estate companies did well in 1972.

The insurance group includes seven companies providing comprehensive insurance and insurance-related services to Gambles employees, affiliates, franchised dealers and non-affiliated customers.

These were major developments:

☐ *Gamble Alden Life Insurance Company* (GALIC) significantly expanded group life and major medical health insurance sales to employees and in unaffiliated markets, with particular emphasis on "mini" groups of 10 or fewer employees.

The opening of four new regional sales offices and entry into at least four additional states are anticipated during 1973. GALIC now utilizes the services of 600 insurance brokers.

During the year, GALIC added a group permanent life insurance option to Gambles' existing employee group life insurance plans in the United States. Also new, and expected to grow in 1973, is a program offering credit life insurance to credit union members.

☐ *Gambles Insurance Company* writes lease guaranty and other property and casualty insurance. *Gambles Insurance Company* became licensed in 11 states in 1972, in addition to Minnesota, and has applications pending in 11 additional states.

☐ *Gamble Alden Agency* offers property insurance coverage on merchandise purchased by Gambles' credit customers. Benefits were paid under this policy in the spring of 1972 when Rapid City, South Dakota, was devastated by the worst flood in that area's history.

☐ *Gambles Lease Insurance Corporation* was established during the year as a subsidiary of *Gambles Insurance Company* to provide lease insurance in states where general line companies cannot issue such coverage. This company is licensed in Minnesota and has applications pending in four other states.

☐ *GALIC Ltd.* was established to provide credit-property and all-risk property and casualty insurance to Macleods and Stedmans franchised dealers in Canada.

Vehicle and equipment leasing activities set new records in 1972. *Gambles C & M Leasing Company*, engaged in automobile and truck fleet leasing and management operations, had more vehicles under lease at year-end than at any previous time. Client billings increased by more than 37 percent, attributable to larger fleet commitments by existing customers and to the addition of major new clients.

Gambles International Leasing Corporation also expanded its leasing revenues. Under lease are such varied types of capital goods as forklift trucks, airplanes, computers and office equipment.

Gambles Continental Bank, in St. Paul, Minnesota, moved a number of younger men into key management positions as the first phase of a more aggressive marketing program for 1973. Year-end deposits were at a record high.

Summary of Operating Results by Group

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES

(Amounts in millions)	1972		1971	
	Amount	Percent of Total	Amount	Percent of Total
Net sales and operating revenues:				
General merchandising	\$ 618.5	45.9%	\$ 613.5	46.5%
Food and drugs	511.8	37.9	497.2	37.8
Catalog sales	203.0	15.1	188.9	14.5
Total merchandising	1,333.3	98.9	1,299.6	98.8
Outdoor advertising	15.5	1.1	15.5	1.2
Total	<u>\$1,348.8</u>	<u>100.0%</u>	<u>\$1,315.1</u>	<u>100.0%</u>
Earnings:				
General merchandising	\$ 21.1	49.6%	\$ 20.1	55.5%
Food and drugs	7.3	17.1	5.2	14.4
Catalog sales	12.4	29.1	8.8	24.3
Total merchandising	40.8	95.8	34.1	94.2
Outdoor advertising	1.8	4.2	2.1	5.8
Total	<u>\$ 42.6</u>	<u>100.0%</u>	<u>\$ 36.2</u>	<u>100.0%</u>

The contribution to company earnings of the service subsidiaries discussed on the preceding page has been included in the earnings of the merchandising divisions they serve.

Consolidated Statement of Earnings

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES

(All dollars in thousands except amounts per share)

	1972 Fifty-two weeks ended January 27, 1973	1971 Fifty-two weeks ended January 29, 1972
Net sales and operating revenues	\$1,348,826	\$1,315,092
Costs and expenses:		
Cost of sales, including certain occupancy and buying costs	1,037,821	1,012,438
Operating and administrative (Note 8)	241,963	236,329
Depreciation and amortization	12,089	12,643
Interest — net	10,875	15,161
Contribution to employees' pension and thrift sharing plans (Note 5)	5,726	5,520
Total costs and expenses	1,308,474	1,282,091
Other income — net	2,279	3,198
Earnings before income taxes, minority interest and extraordinary item	42,631	36,199
Income taxes, including deferred taxes of \$(1,313) and \$3,472	20,259	16,874
Minority interest in earnings of subsidiaries	1	198
Earnings before extraordinary item	22,371	19,127
Gain on sale of Claude Neon Advertising, Ltd. stock, less applicable income taxes of \$500 (Note 10)	5,616	—
Net earnings	\$ 27,987	\$ 19,127
Earnings per common share		
Primary		
Earnings before extraordinary item	\$ 4.09	\$ 3.56
Extraordinary item	\$ 1.15	\$ —
Net earnings	\$ 5.24	\$ 3.56
Fully diluted		
Earnings before extraordinary item	\$ 3.53	\$ 3.06
Extraordinary item	\$.89	\$ —
Net earnings	\$ 4.42	\$ 3.06

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES

(All dollars in thousands)

1972

January 27, 1973

1971

January 29, 1972

ASSETS

Current assets:

Cash, including temporary investments	\$ 68,042	\$ 51,423
Receivables (Note 1)	41,190	63,987
Inventories at lower of cost or market	212,870	202,720
Prepaid expenses	9,795	9,757
Total current assets	<u>331,897</u>	<u>327,887</u>
Investments and other assets	87,681	85,659
Property and equipment — net (Note 2)	95,611	108,322
Intangible assets arising in connection with acquisition of subsidiary companies	26,300	28,034
Deferred charges and miscellaneous assets	12,011	15,086
	<u>\$553,500</u>	<u>\$564,988</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Notes payable	\$ —	\$ 600
Current instalments of long-term debt	5,595	9,077
Accounts payable and accrued liabilities	120,970	110,443
Current income taxes	14,286	6,026
Deferred taxes applicable to instalment sales	46,506	48,395
Total current liabilities	<u>187,357</u>	<u>174,541</u>
Deferred credits	5,737	7,438
Minority interest in consolidated subsidiaries	76	234
Long-term debt (Note 3) excluding subordinated income notes shown below as capital accounts:		
Operating companies	13,708	25,060
Real estate companies	20,683	36,604
Total	<u>34,391</u>	<u>61,664</u>
Capital accounts:		
Subordinated income notes (Note 4)	114,603	100,099
Stockholders' equity	<u>211,336</u>	<u>221,012</u>
Contingent liabilities and commitments (Note 9)		
	<u>\$553,500</u>	<u>\$564,988</u>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES

(All dollars in thousands)

	1972 Fifty-two weeks ended January 27, 1973	1971 Fifty-two weeks ended January 29, 1972
SOURCE OF FUNDS		
Earnings before extraordinary item	\$22,371	\$19,127
Depreciation and amortization	12,089	12,643
Net earnings of unconsolidated subsidiaries	(7,045)	(6,146)
Funds derived from operations	27,415	25,624
Proceeds from sale of Claude Neon Advertising, Ltd. stock, less \$2,803 of net working capital	15,097	—
Issuance of subordinated income notes	16,602	12,078
Issuance of long-term debt	1,182	1,600
Carrying value of property and equipment disposals	6,922	6,856
Issuance of common stock	1,732	5,949
Decrease in investments and other assets	4,898	4,466
Common stock exchanged for minority interest in Red Owl Stores, Inc.	—	10,726
	<u>\$73,848</u>	<u>\$67,299</u>
USE OF FUNDS		
Cash dividends	\$ 8,382	\$ 8,462
Reduction of long-term debt	30,553	51,400
Additions to property and equipment	11,132	16,437
Acquisition of treasury stock	31,013	—
Reduction in minority interest	158	7,261
Decrease in deferred credits	180	2,831
Other	1,236	1,798
Change in working capital by component parts:		
Cash and other assets	\$16,657	\$14,534
Receivables	(22,797)	(17,706)
Inventories	10,150	(11,453)
Notes payable and current instalments of long-term debt	4,082	2,450
Accounts payable and accrued liabilities	(10,527)	(1,829)
Income taxes	(6,371)	(6,886)
	<u>\$73,848</u>	<u>\$67,299</u>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Stockholders' Equity

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES

(All dollars in thousands)

	SHARES Fifty-two weeks ended January 27, 1973	AMOUNT Fifty-two weeks ended January 27, 1973
Preferred stock — voting, cumulative and convertible (Note 6):		
\$40 par value; \$1.75 per share dividend; authorized 600,000 shares:		
Beginning of year	398,546	\$ 15,942
Conversion to common shares	34,215	1,369
End of year	<u>364,331</u>	<u>14,573</u>
\$5 par value; \$1.60 per share dividend; authorized 1,400,000 shares:		
Beginning of year	1,082,755	5,414
Conversion to common shares	67,830	339
End of year (aggregate preference upon involuntary liquidation \$35,522)	<u>1,014,925</u>	<u>5,075</u>
Common stock, including additional paid-in capital (Note 6):		
\$5 par value; authorized 10,000,000 shares:		
Beginning of year	4,783,110	59,763
Conversion of preferred shares	103,070	1,701
Exercise of stock options	65,994	1,739
End of year	<u>4,952,174</u>	<u>63,203</u>
Retained earnings (Note 7):		
Beginning of year		139,893
Net income		27,987
Cash dividends:		
Preferred		(2,320)
Common (\$1.30 per share)		(6,062)
End of year		<u>159,498</u>
Less common stock reacquired and held in treasury, at cost —		
854,416 shares		<u>(31,013)</u>
Total stockholders' equity		<u>\$211,336</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES

Summary of Accounting Policies

The company's accounting policies conform with generally accepted accounting principles and have been applied on a consistent basis. Significant policies are outlined below.

DEFINITION OF FISCAL YEAR. The company's fiscal year ends on the last Saturday in January. Fiscal 1972 ended on January 27, 1973 and 1971 on January 29, 1972. Each year is comprised of 52 weeks.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include all accounts except the following service subsidiaries: (1) a life insurance subsidiary and nine other subsidiaries, all of which in the aggregate are not significant and, (2) finance subsidiaries. Condensed financial information for finance subsidiaries is presented on page 23 of this annual report. Investments in subsidiaries not consolidated are carried at underlying equity values.

Pre-tax earnings of unconsolidated service subsidiaries, reflected in the Statement of Earnings as a reduction of operating and administrative expense, are \$12,555,000 for 1972 and \$10,514,000 for 1971. For comparative purposes, the preceding year has been reclassified to reflect this change.

FOREIGN EXCHANGE TRANSACTIONS. Net current assets of Canadian subsidiaries are translated to U. S. Dollar equivalents at period ending exchange rates and other assets and long-term debt at rates prevailing on dates of acquisition.

INVENTORIES. Merchandise inventories are stated substantially at lower of cost (first in, first out) or replacement market. Other inventories, which do not constitute a significant portion of total inventory, are valued at lower of average cost or replacement market.

DEPRECIATION. Property and equipment is depreciated over the estimated service lives or, in the case of leasehold improvements, over the period of leases if shorter. Depreciation and amortization is provided generally on the straight-line method for financial reporting and on accelerated methods for income taxes.

INTANGIBLE ASSETS. Substantially all intangible assets arose from business acquisitions prior to 1970 and will be carried at cost until evidence of impairment of value. Intangible assets arising from acquisitions since 1970 are being amortized.

INCOME TAXES. For financial reporting, deferred income taxes are provided for expenses and income recognized in different periods for income tax purposes. Deferred income taxes arise principally from timing differences related to instalment sales, depreciation and undistributed foreign earnings.

Deferred taxes from timing differences on instalment sales are included in the financial statements as current liabilities. All other deferred taxes are included in deferred credits.

The company's provision for deferred taxes on undistributed Canadian earnings is based on dividend and reinvestment policies applicable to such earnings. Consistent with this policy, approximately \$46,000,000 of undistributed earnings have been reinvested; therefore, no deferred Canadian dividend withholding tax has been provided on this amount.

Investment credit has been used to reduce income taxes in the year the property was acquired (\$277,000 in 1972 and \$134,000 in 1971).

EARNINGS PER SHARE. Primary earnings per share, including common equivalents, has been computed by dividing net income after provision for preferred dividends by the weighted average number of common shares outstanding during the year. The average number of such shares outstanding was 4,900,000 in 1972 and 4,663,000 in 1971.

Fully diluted earnings per share is computed assuming conversion of all convertible preferred stock (with appropriate elimination of preferred dividend requirements) and common stock equivalents. The average number of such shares outstanding was 6,336,000 in 1972 and 6,249,000 in 1971.

On December 30, 1972, the company sold its Canadian subsidiary, Claude Neon Advertising, Ltd. On January 10, 1973, the company tendered for 854,416 shares of its common stock which is held as treasury stock at year end. Assuming these transactions had occurred at the first of the year, primary earnings per share for 1972 would have been \$4.58.

(1) Receivables

	(thousands)	
	1972	1971
Customer instalment accounts	\$33,035	\$36,607
Dealer accounts	4,062	22,146
Miscellaneous	23,982	25,912
Total accounts receivable	61,079	84,665
Less: Allowance for		
doubtful accounts	14,824	15,200
Deferred finance charges	5,065	5,478
Net receivables	<u>\$41,190</u>	<u>\$63,987</u>

The allowance for doubtful accounts provides for the company's exposure on all receivables listed above and those sold to finance subsidiaries.

(2) Property and Equipment (at cost)

	(thousands)	
	1972	1971
Land	\$ 9,761	\$ 11,789
Buildings and equipment	148,792	166,309
	158,553	178,098
Less allowance for depreciation	74,588	80,864
	83,965	97,234
Leasehold improvements		
less amortization	11,646	11,088
	<u>\$ 95,611</u>	<u>\$108,322</u>

(3) Long-term Debt

The long-term obligations of the operating companies are principally unsecured and mature through 1997, paying interest ranging from 4½% to 9¼%. The long-term obligations of the real estate companies are secured and mature through 1999, paying interest ranging from 4½% to 9½%.

Annual sinking fund and principal payments on long-term debt and subordinated income notes (Note 4) during the next five years are as follows: 1973 - \$5,595,000; 1974 - \$5,087,000; 1975 - \$4,847,000; 1976 - \$3,422,000; 1977 - \$19,107,000.

(4) Subordinated Income Notes

Subordinated income notes maturing from 1975 to 2002 pay interest ranging from 7% to 10%.

(5) Pension and Thrift Sharing Plans

Contributions to employees' pension and thrift sharing plans include payments to various retirement plans. It is the company's policy to fund normal cost accrued and interest on prior service costs. The actuarially computed value of vested benefits is fully funded.

The life insurance subsidiary administers the assets of the Gamble-Skogmo, Inc. and Subsidiaries Pension Plan. Administrative fees paid by the Pension Plan to the insurance subsidiary were \$762,000 in 1972 and \$1,648,000 in 1971.

(6) Capital Stock

Common shares were reserved as follows:

	1972	1971
Conversion of preferred stock	1,390,185	1,493,257
Employee stock options	494,315	561,409
Common stock purchase warrants	272,227	272,227
	<u>2,156,727</u>	<u>2,326,893</u>

Each share of \$1.75 preferred stock is convertible into 1.03 shares of common stock until October 31, 1973; 9,037/10,000ths of a share to October 31, 1978, and 8,024/10,000ths of a share to October 31, 1983, on which date conversion rights expire. The stock is redeemable at the option of the company at \$41.50 per share plus accrued and unpaid dividends with annual reductions of 25¢ per share to \$40.00 per share on and after November 1, 1978. Sinking fund requirements, equal to 5% per year of shares issued, commence in 1983.

Each share of \$1.60 preferred stock is convertible into one share of common stock until November 30, 1974; 9/10ths of a share to November 30, 1979, and 8/10ths of a share to November 30, 1984, on which date conversion rights expire. The stock is redeemable at the option of the company and in the event of involuntary liquidation at \$35.00 per share plus accrued and unpaid dividends. Sinking fund requirements, equal to 5% of shares issued, commence in 1984.

Under the company's option plans for executives and key employees, options are granted at market value and exercisable from one to five years after date of grant. Shares under option were as follows:

	1972	1971
Outstanding beginning of year	274,465	337,245
Granted	65,500	12,044
Exercised	(65,994)	(53,216)
Expired	(15,337)	(21,608)
Outstanding end of year	258,634	274,465
Shares exercisable	67,055	105,801
Aggregate option price for		
shares outstanding	<u>\$7,092,000</u>	<u>\$7,091,000</u>

Warrants to purchase common stock issued in connection with the sale of subordinated income notes are exercisable at prices ranging from \$25.50 to \$40.00 per share and expire from August, 1975 to January, 1984.

(7) Retained Earnings

Retained earnings of subsidiaries are restricted as to payment of dividends by terms of long-term debt indentures and agreements. As of January 27, 1973 approximately \$138,000,000 was free of any such restrictions.

Notes to Consolidated Financial Statements Cont.

(8) Consumer Credit Operations

The results of the consumer credit operations which are included in operating and administrative expense of the accompanying Statement of Earnings are as follows:

	(thousands)	
	1972	1971
Finance charge income	\$54,419	\$55,804
Operating expense (including credit sales expense, collection expense, and provision for doubtful accounts) ..	31,288	32,620
Interest expense	14,650	15,615
Income taxes	4,240	3,785
Total expense	50,178	52,020
Net consumer credit operations earnings ..	\$ 4,241	\$ 3,784

Interest expense reflects the average cost of borrowings of the finance subsidiaries of 5.68% in 1972 and 5.86% in 1971 applied to the average balance of customer receivables reduced by deferred income taxes.

The net earnings generated by consumer credit operations resulted in less than a 2% return on assets employed in combined finance subsidiaries of the company.

(9) Contingent Liabilities and Commitments.

During 1969, a United States district judge ruled that the company omitted material information from a proxy statement and failed to present a fair plan of merger in connection with the 1963 merger with General Outdoor Advertising Co., Inc. Extensive hearings were held before a special master to determine the amount of damages, and on August 25, 1972, the district court entered a judgment against the company in an amount approximating \$6,900,000 plus interest of approximately \$5,100,000.

The company has appealed this judgment to the United States Court of Appeals for the Second Circuit, and is awaiting a decision on the appeal. The company, after reviewing the matter with legal counsel, does not expect resultant damages, if any, to materially affect its financial condition or operations.

Long-term leases covering facilities used or occupied by the company and its subsidiaries provide for minimum annual rentals as follows:

Fiscal years 1973 - 1977, \$14,918,000; 1978 - 1982, \$10,868,000; 1983 - 1992, \$4,787,000, and 1993 - 1997, \$771,000.

The amounts exclude maintenance costs, real estate taxes, insurance, etc. and increased amounts based on

percentages of sales which may be payable in some cases. The franchise subsidiaries also have substantial commitments under non-cancelable leases for facilities used or occupied by franchisees; however, it is anticipated that aggregate rentals paid by franchisees will exceed the rental payments for which franchise subsidiaries are liable.

As of January 27, 1973, the company has guaranteed indebtedness of unconsolidated service subsidiaries of approximately \$32,000,000.

(10) Extraordinary gain

The extraordinary gain on the sale of the stock of Claude Neon Advertising, Ltd., a Canadian subsidiary, results in approximately \$500,000 of income taxes payable. Income taxes payable resulting from the gain have been reduced by a carryover of foreign tax credits and additional foreign tax credits available as the result of Canadian taxes previously paid by Claude Neon.

ACCOUNTANTS' REPORT

Peat, Marwick, Mitchell & Co.
1700 IDS Center
Minneapolis, Minnesota 55402

The Board of Directors and Stockholders
Gamble-Skogmo, Inc.:

We have examined the consolidated balance sheet of Gamble-Skogmo, Inc. and consolidated subsidiaries as of January 27, 1973 and the related statements of earnings, stockholders' equity and changes in financial position for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Gamble-Skogmo, Inc. and consolidated subsidiaries at January 27, 1973, the results of their operations and the changes in their financial position for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
March 19, 1973

Unconsolidated Finance Subsidiaries Condensed Financial Information

GAMBLE-SKOGMO, INC.

(All dollars in thousands)

1972

Fifty-two weeks ended
January 27, 1973

1971

Fifty-two weeks ended
January 29, 1972

FINANCIAL POSITION

Assets

Customer instalment accounts less portion withheld pending collection	\$275,935	\$279,667
Cash and other assets	<u>16,395</u>	<u>13,170</u>
	<u>\$292,330</u>	<u>\$292,837</u>

Liabilities and Equity

Notes payable and current instalments of long-term debt	\$153,281	\$143,181
Other liabilities	5,918	12,256
Long-term debt, excluding current instalments	63,792	68,661
Equity	<u>69,339</u>	<u>68,739</u>
	<u>\$292,330</u>	<u>\$292,837</u>

OPERATIONS

Income, principally on investment in customer instalment accounts	\$ 17,458	\$ 17,231
Expenses, principally interest	<u>10,480</u>	<u>11,018</u>
Earnings before income taxes	6,978	6,213
Provision for income taxes	<u>3,582</u>	<u>2,940</u>
Net earnings	<u>\$ 3,396</u>	<u>\$ 3,273</u>

The finance subsidiaries provide financing for Gamble-Skogmo, Inc. customer accounts. Income received by the finance subsidiaries is designed to equal at least 1 1/2 times the finance subsidiaries' fixed charges.

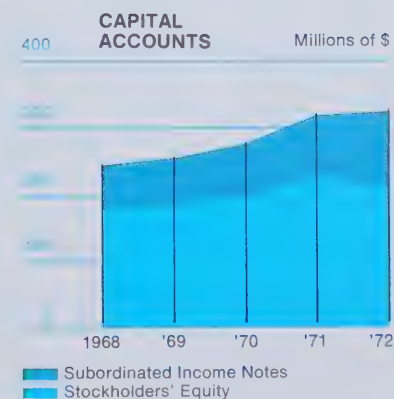
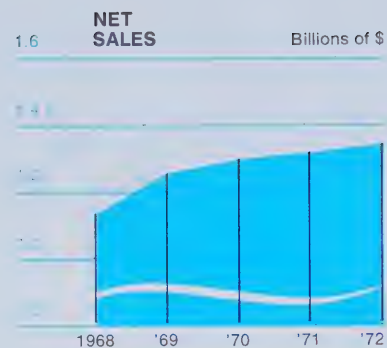
Significant Comparisons

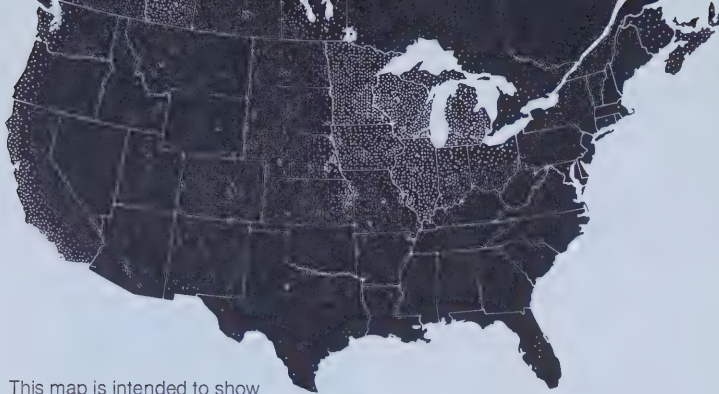
GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES

(All dollars in thousands except amounts per share)	1972	1971	1970
Results for the year:			
Net sales and operating revenues	\$1,348,826	\$1,315,092	\$1,296,704
Earnings before income taxes, minority interest and extraordinary item	42,631	36,199	31,637
Federal, state and Canadian taxes	20,259	16,874	15,887
Earnings before extraordinary item	22,371	19,127	15,066
Extraordinary item	5,616	—	—
Net earnings	27,987	19,127	15,066
Cash dividends (including preferred)	8,382	8,462	8,165
Per share of common stock:			
Earnings per share including common equivalents			
Earnings before extraordinary item	4.09	3.56	3.08
Extraordinary item	1.15	—	—
Net earnings	5.24	3.56	3.08
Cash dividends	1.30	1.30	1.30
Book value	39.21	34.81	31.87
Book value assuming conversion of preferred stock	38.51	35.21	33.39
Year end position:			
Inventories	212,870	202,720	214,173
Net working capital	144,540	153,346	174,236
Current ratio	1.8 to 1	1.9 to 1	2.0 to 1
Capital accounts			
Subordinated income notes	114,603	100,099	88,021
Stockholders' equity	211,336	221,012	193,672
Number of:			
Full time employees	21,474	22,166	24,275
Square feet of selling space	8,990,000	8,839,000	8,931,000
Company-owned stores	674	711	799
Authorized dealers	2,872	3,158	3,205
Common shares outstanding at year end	4,952,174*	4,783,110	3,999,620
Shareholders	15,244	16,108	17,345
Subordinated income note holders	12,540	10,017	7,566

*Includes 854,416 shares of treasury stock.

1969	1968	1967	1966
\$1,258,404	\$1,144,165	\$ 910,312	\$ 701,501
28,296	28,680	25,509	28,022
14,390	14,723	12,997	14,445
13,206	13,173	11,995	13,279
—	—	—	—
13,206	13,173	11,995	13,279
8,062	7,612	7,407	7,058
2.66	2.81	2.51	2.90
—	—	—	—
2.66	2.81	2.51	2.90
1.30	1.30	1.30	1.25
29.83	28.69	26.28	24.95
32.21	31.60	30.16	29.31
198,739	212,562	187,388	171,359
192,458	174,399	162,977	209,261
2.3 to 1	2.3 to 1	2.5 to 1	2.5 to 1
71,757	69,085	37,718	6,404
186,466	175,753	163,588	159,207
26,349	26,741	27,286	23,768
9,155,000	9,494,000	8,656,000	6,531,000
802	907	987	782
3,205	3,193	3,315	3,074
3,839,951	3,602,430	3,454,885	3,454,460
18,101	17,299	17,059	16,476
4,277	3,549	3,789	2,551





This map is intended to show the geographical scope and density of our retail outlets, but not exact locations.

DOMESTIC STORES as of January 27, 1973

COMPANY-OWNED STORES

Buckeye Mart				
Tempo				4
Gamble Department		1	2	
McDonald Department	1		10	8
Gamble				6
House of Fabrics				7
Mode O'Day	1		8	
Red Owl				
Snyder				
Aldens Catalog Sales Office				
Total - Company-Owned Stores	2	1	20	25

FRANCHISED DEALERS

Gamble	3	63
Skogmo		3
House of Fabrics	1	3
Mode O'Day	1 15	20 150 23
Rasco	11	116
Red Owl		
Snyder		
Total - Franchised Dealers	1 29	21 266 92

CANADIAN STORES as of January 27, 1973

COMPANY-OWNED STORES

	Alberta	British Columbia	Manitoba	New Brunswick	Newfoundland
Macleod	29	13	13		
Stedman	10		1	15	1
Total - Company-Owned Stores	29	23	14	15	1

FRANCHISED DEALERS

Macleod	56	25	39		
Stedman	30	26	4	12	
Total - Franchised Dealers	86	51	43	12	

Hawaii	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Michigan	Minnesota	Mississippi	Missouri	Montana	Nebraska	Nevada	New Mexico	New Jersey	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	South Carolina	South Dakota	Tennessee	Texas	Utah	Virginia	Washington	Wisconsin	Wyoming	Total	
																		19													19		
2	3	1	2	2					7	8		2	2	5		1		4						3						3	1	50	
	3	5	2			3	1	1	1									1		1	1		1			2					25		
1				23									5	28					2						3					3	84		
	3	2	9	4					5	5		2	5	7		1								3						7	3	62	
	1	4	2	11					5	2		10		3				3	4		1		1		3	1				3	61		
		3	2	2					2	2		1				1		4	1					1	3	1		2		1	35		
			1						8	75								11						8						33	136		
										30																				7	37		
	1																														1		
3	11	15	18	42		3	1	1	28	122		15	12	43		3		15	27	7		2	1	15	2	9	4		2	54	7	510	
15	71	29	107	75	6				109	164		54	62	106		20		65	11	2				58		2	2			151	22	1,197	
			7	6					11	44			8	11				8						6						34	1	139	
3	10			1		1			1			1				1		1	1								1			3	28		
1	17	30	6	33	32	3	2		7	5	2	43	8	19		9	15		2	3	19	48	1		4	1	57	17		39	10	9	651
	4												2			1	17				1				1			11			164		
			9						12	115								39						24						63	262		
			4							11																				1	16		
1	39	111	35	160	114	9	3		140	339	2	98	80	136	10	52	1	115	15	21	49	1		92	1	60	19	1	50	262	32	2,457	

Nova Scotia	Ontario	Prince Edward	Quebec	Saskatchewan	Northwest Territories	Total	SUMMARY OF STORES				Company-Owned Stores				Franchised Dealers				Total -															
4			24			83																												
16	34	2	1	1		81																												
16	38	2	1	25		164																												
4				59	2	185																												
14	125	3	3	12	1	230																												
14	129	3	3	71	3	415																												

Management Changes

CORPORATE OFFICERS

Wayne E. Matschullat was elected President and a Director of Gambles in August, replacing James A. Watson who had resigned. Prior to coming with Gambles, Mr. Matschullat had been a Vice President and a Director of Montgomery Ward & Co., Inc. In this capacity, he was in charge of all stores in Ward's Central States Region. His 26 years of hard and softlines merchandising experience include 5 years with Wards and 21 years with Sears, Roebuck & Co. Concurrent with Mr. Matschullat's election, the Board of Directors created the Office of President to head the company's management on a day-to-day basis. The Office of President is comprised of Mr. Matschullat, Walter H. Davies, Jr., and Louis E. Dolan.

DIVISION AND SUBSIDIARY HEADS

Dennis R. Gibson was elected Managing Director of the Macleods Division replacing Philip C. Fikkan, who had retired after 38 years of service with the company. Mr. Gibson, who has been Executive Vice President of Macleods since 1968, started as a retail sales clerk with the Canadian retail chain in 1945.

Herbert P. Asselstine, a 52-year old executive with 35 years of experience in food retailing and wholesaling, has been elected President of Red Owl Stores, Inc. Mr. Asselstine, who had been a Vice President and a Director of a Minneapolis-based diversified food distributor, replaces James H. Wille, who had resigned.

Jerome L. Tolin was elected President of the Gambles House of Fabrics Division replacing Richard F. Cozad who, after a period of ill health, has returned to a merchandising position in the J. M. McDonald Co. Division. Mr. Tolin has been in fabrics merchandising for 19 years, the last several as President of a fabrics chain.

David A. Heider was elected Executive Vice President and a Director of Gambles Continental State Bank. Mr. Heider had been an Associate in Business Administration at Harvard Medical School.

Charles R. Brynteson, President of Gambles C & M Leasing Company since its acquisition in 1969, passed away in November.

DIRECTORS

Re-elected at the annual meeting of shareholders in June, in addition to Mr. Watson, were Forest R. Lombaer, Senior Vice President for Personnel; Burr L. Robbins, consultant and former President of General Outdoor Advertising Co., Inc.; Edwin O. Wack, Senior Vice President; and Carle R. Wunderlich, Vice President of Gambles and President of Aldens, Inc. All nominees were elected to serve three-year terms. As noted above, Mr. Matschullat was elected by the Board of Directors to fill the unexpired term of Mr. Watson. Raymond Plank, President of Apache Corporation, resigned from the board in December. This seat remains vacant.

Directors and Officers

DIRECTORS

Russell M. Bennett, *Attorney and Partner, Gray, Plant, Mooty & Anderson*
B. Fred Davidson, *Vice President*
* Walter H. Davies, Jr., *Vice Chairman of the Board and Treasurer*
* Louis E. Dolan, *Vice Chairman of the Board, Secretary, and General Counsel*
* Bertin C. Gamble, *Chairman of the Board*
* Arthur G. Johnson, *Executive Vice President for Buying and Merchandising*
* Forest R. Lombaer, *Senior Vice President for Personnel*
* Wayne E. Matschullat, *President*
Burr L. Robbins, *Consultant and former President, General Outdoor Advertising Co., Inc.*
* Edwin O. Wack, *Senior Vice President*
Carle R. Wunderlich, *Vice President; President, Aldens, Inc.*
Bernard B. Zients, *Consultant and former President, New York department store division of Gimbel Brothers, Inc.*

OFFICERS

Bertin C. Gamble, *Chairman of the Board*
Wayne E. Matschullat, *President*
Walter H. Davies, Jr., *Vice Chairman of the Board and Treasurer*
Louis E. Dolan, *Vice Chairman of the Board, Secretary and General Counsel*
Arthur G. Johnson, *Executive Vice President for Buying and Merchandising*
Forest R. Lombaer, *Senior Vice President for Personnel*
Lawrence W. Rixe, *Senior Vice President and Controller*
Edwin O. Wack, *Senior Vice President*
B. Fred Davidson, *Vice President*
Robert W. Hill, *Vice President for Procurement*
Roy W. Johnson, *Vice President for Buying*
Lawrence Kanthers, *Vice President for Department Stores*
Frank D. Kollmer, *Vice President for Credit Operations*
William H. Lollar, *Vice President; President, Rasco Stores Division*
John Y. Loper, *Vice President for Store Design and Construction*
R. Bruce Sutherland, *Vice President; President, Gambles Canada Limited*
Charles E. Trussell, *Vice President for Planning*
Carle R. Wunderlich, *Vice President; President, Aldens, Inc.*
Sheldon V. Durtsche, *Assistant Controller*
Charles H. Gauck, *Assistant Secretary and Assistant General Counsel*
Norman M. Steck, *Assistant Treasurer*

* member of Executive Committee

Principal Offices Divisions & Subsidiaries

OPERATIONS IN THE UNITED STATES —

MINNEAPOLIS, MINNESOTA:

5100 Gamble Drive (55416)

GAMBLE-SKOGMO, INC.

Corporate headquarters, Phone 612-374-6123

GAMBLE ALDEN AGENCY, INC.

Markets multiple-line insurance coverages

GAMBLE ALDEN LIFE INSURANCE COMPANY

Provides life, health and credit insurance

GAMBLE DEVELOPMENT COMPANY

Develops and leases real estate

GAMBLE SKOGMO ACCEPTANCE CORPORATION

Purchases installment receivables from the parent company and its franchised dealers

GAMBLE STORES DIVISION

Operates and franchises hardlines stores

GAMBLES AUTOMOBILE LEASING CORPORATION OF AMERICA, INC.

Provides management services to motor vehicle leasing companies

GAMBLES C & M LEASING COMPANY

Leases motor vehicles to fleet operators

GAMBLES INSURANCE COMPANY

Provides multiple-line insurance coverages

GAMBLES INTERNATIONAL LEASING CORPORATION

Leases plant and office equipment to commercial and industrial accounts

GAMBLES LEASE INSURANCE CORPORATION

Writes property lease guaranty insurance for Gambles and other companies

SKOGMO STORES DIVISION

Franchises softlines stores

TEMPO-BUCKEYE STORES DIVISION

Operates mass merchandising stores

HOPKINS, MINNESOTA:

215 East Excelsior Avenue (55343)

RED OWL STORES, INC.

Operates and franchises food stores

SNYDER'S DRUG STORES, INC.

Operates and franchises drug stores

ST. PAUL, MINNESOTA:

441 Wabasha (55102)

GAMBLES CONTINENTAL STATE BANK

Provides general banking services

CHICAGO, ILLINOIS:

5000 West Roosevelt Road (60607)

ALDENS, INC.

Offers catalog merchandise

GAMBLE ALDENS FINANCE COMPANY

Purchases receivables from Aldens, Inc.

GAMBLE DEPARTMENT STORES, INC.

Operates department stores

LENEXA, KANSAS:

8101 Lenexa Drive (66214)

GAMBLES HOUSE OF FABRICS DIVISION

Operates and franchises fabric shops

NEW YORK, NEW YORK:

450 West 33rd Street (10001)

GAMBLES CORPORATE BUYING DIVISION

Provides corporate buying services of softlines fashion goods

BURBANK, CALIFORNIA:

2130 North Hollywood Way (91505)

MODE O'DAY DIVISION

Operates and franchises dress shops; operates factories

2709 North Ontario Street (91504)

GAMBLES DATAMATION CENTER

Offers computer programming service to Gambles and other companies

2777 North Ontario Street (91504)

GAMBLES IMPORT CORPORATION

Provides corporate import buying services

RASCO STORES DIVISION

Operates and franchises variety stores, mass merchandising stores and toy stores

HASTINGS, NEBRASKA:

2635 West Second Street (68901)

J. M. McDONALD CO. DIVISION

Operates department stores

OPERATIONS IN CANADA —

WINNIPEG, MANITOBA:

1530 Gamble Place

GAMBLES CANADA LIMITED

Directs all Canadian merchandising operations

GAMBLES CANADA ACCEPTANCE LIMITED

Purchases installment receivables from the Canadian merchandising divisions and their franchised dealers

MACLEODS DIVISION

Operates general merchandise and mass merchandising stores and franchises general merchandise stores

TORONTO, ONTARIO:

7622 Keele Street

STEDMANS DIVISION

Operates and franchises variety stores

